

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Robert G. Taub, Vice Chairman;  
Mark Acton;  
Tony Hammond; and  
Nanci E. Langley

Competitive Products Prices  
Outbound International Expedited Services  
Global Express Guaranteed  
Change in Rates of General Applicability

Docket No. CP2013-54

ORDER APPROVING TEMPORARY CHANGE  
IN RATES OF GENERAL APPLICABILITY  
FOR GLOBAL EXPRESS GUARANTEED SERVICE

(Issued April 15, 2013)

I. INTRODUCTION

On March 20, 2013, the Postal Service filed notice, pursuant to 39 C.F.R. § 3015.2, of a promotional program involving a temporary change in rates of general applicability for Global Express Guaranteed (2013 GXG Promotion).<sup>1</sup> For the reasons discussed below, the Commission approves the 2013 GXG Promotion.

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<sup>1</sup> United States Postal Service Notice of Promotional Rates for Global Express Guaranteed Service, March 20, 2013 (Notice). See *also* Order No. 1681, Notice of Temporary Change in Rates of General Applicability for Global Express Guaranteed Competitive International Mail Product, March 25, 2013 (appearing at 78 FR 19028 on March 28, 2013).

## II. BACKGROUND

Global Express Guaranteed (GXG) is an expedited delivery service offered under a business alliance between the Postal Service and FedEx Corporation. International Mail Manual (IMM) 141.2. It provides reliable, high-speed, time-definite service from designated U.S. ZIP Code areas to locations in most destination countries. *Id.*

The Postal Service states that the 2013 GXG Promotion will provide certain eligible mailers with a discount on GXG prices during a promotional period which begins April 29, 2013 and extends, at the latest, to June 1, 2013. Notice at 3. The discount operates as a decrease off applicable Commercial Base or Commercial Plus prices for GXG items for existing customers using Global Shipping Software (GSS).<sup>2</sup> *Id.* at 3. The 2013 GXG Promotion is intended to increase interest in GXG service among businesses by offering a promotional sale, and is designed to stimulate volume growth and provide customers with an incentive to use GXG. *Id.*

*Terms and conditions.* The following terms and conditions apply:

- The promotion is only applicable to Postal Service customers with a GSS account during the promotion period;
- No registration is required;
- The promotion is not valid with any other Postal Service promotion, and excludes GSS customers with certain types of contracts<sup>3</sup>;
- All other standards in IMM section 210 apply;
- The discount does not apply to optional insurance coverage in excess of \$100;
- The promotional discount is limited to the equivalent of \$10,000 in total discounts for Commercial Base and Commercial Plus postage for GXG items per GSS account holder during the promotion period;

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<sup>2</sup> Current GXG rates of general applicability were approved in Docket No. CP2013-3, Order No. 1536, Order Approving Changes in Rates of General Applicability for Competitive Products, November 8, 2013, at 4-5, 15.

<sup>3</sup> The types of excluded contracts are: Global Expedited Package Services Contract, a Global Plus Contract, a Global Reseller Expedited Package Contract, or a Global Expedited Package Services-Non-Published Rates Contract. *Id.* at 3.

- Customers may opt out of the promotion by directly contacting GSS customer support; and
- The Postal Service reserves the right, without prior notice, to end the promotion before June 1, 2013 and to make changes to the promotion, except for changes that affect the percentage discount offered under the promotion.

*Id.* at 3-4.

*Customer notification.* The Postal Service plans to notify eligible customers about the promotion, participation, and applicable terms and conditions by email following completion of the Commission's review. *Id.* at 4-5.

*Cost considerations.* The Postal Service states that GXG prices, including the effects of the 2013 GXG Promotion, are in compliance with 39 U.S.C. § 3633. *Id.* at 5.

*Reporting requirements.* The Postal Service states that it intends to report revenue for GXG published rates in the Annual Compliance Report, and therefore proposes that the Commission create no special report requirement for the 2013 GXG Promotion. *Id.*

*Order No. 1681.* In Order No. 1681, the Commission established Docket No. CP2013-54, appointed a Public Representative, and provided interested persons an opportunity to comment on the Notice.<sup>4</sup>

### III. COMMENTS

Comments were filed by the Public Representative.<sup>5</sup> No other comments were received.

The Public Representative's review of the Postal Service's filing leads him to conclude that the Postal Service's request for a temporary rate decrease should be

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<sup>4</sup> Notice of Temporary Change in Rates of General Applicability for Global Express Guaranteed Competitive International Mail Product, March 25, 2013 (Order No. 1681).

<sup>5</sup> Public Representative Comments on Postal Service Request for Temporary Change in Rates of General Applicability for Global Express Guaranteed Competitive International Mail Product, March 29, 2013 (PR Comments).

approved, but also to suggest that additional data and information should be provided. PR Comments at 4, 6-8.

The Public Representative finds that the financial model shows that the revenue per piece resulting from the temporary price reduction for GXG, including several allowances for contingencies, will generate sufficient revenues to cover attributable costs and will continue to enable competitive products to contribute an appropriate share of institutional costs as required by 39 U.S.C. § 3633(a). *Id.* at 4-5.

The Public Representative states that the terms and conditions serve to limit risk of revenue loss, given the limit of \$10,000 in total discount for Commercial Base and Commercial Plus postage for GXG items per GSS account holder; the limited promotional period of 30 days, and the Postal Service's ability to modify or terminate the program early. *Id.* at 6. He also suggests that an additional, unquantified benefit may occur to the extent that existing GXG customers, not currently utilizing GSS software, continue to use the service after the close of the promotional period. *Id.*<sup>6</sup>

*Additional observations with respect to the record.* While satisfied that the proposed short-term discount is not inconsistent with sections 3633 and 3642, the Public Representative finds the Notice raises questions that warrant seeking additional data and information. *Id.* at 6. These questions include:

- The scope of eligibility for the discount, in terms of whether it applies to existing GXG customers or to a broader group of "existing customers;"
- The sufficiency of the justification for the discount if limited to GXG customers;
- The absence of an explanation for a limitation to GSS account holders; and
- The proposal to report revenue for GXG published rates through the Annual Compliance Report (ACR) in lieu of a special reporting requirement for the 2013 GXG Promotion.

*Id.* at 5-8.

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<sup>6</sup> The Public Representative also discusses whether section 3642 is applicable to the filing. He concludes that section 3642 does not apply to the GXG Promotion. *Id.* at 5-6.

#### IV. COMMISSION ANALYSIS

Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that the 2013 GXG Promotion covers its attributable costs, contributes to the Postal Service's institutional costs, and does not cause any market dominant products to subsidize competitive products. 39 U.S.C. § 3633(a); 39 C.F.R. § 3015.7.

The Commission, having reviewed the Postal Service's Notice, including material filed under seal and comments received, concludes that the 2013 GXG Promotion satisfies all applicable section 3633(a) criteria. In addition, the Commission finds that the Postal Service's filing satisfies the requirements of 39 C.F.R. § 3015.2, which includes a 30-day advance notice requirement.

The Public Representative suggests the need for supplemental information concerning the promotion, *e.g.*, limiting the promotion to GSS account holders. The data submitted by the Postal Service demonstrate that GXG rates, including the effects of the discounts, will satisfy section 3633(a). This is a short-term promotion, and there has been no showing that its implementation will be unreasonably or unduly discriminatory. Accordingly, the Commission approves the 2013 GXG Promotion.

*Reporting.* The Postal Service states that it intends to report GXG published rates in its 2013 Annual Compliance Report (FY 2013 ACR). It requests that the Commission not establish any special reporting requirement concerning the 2013 GXG Promotion. Notice at 5. The Public Representative contends that in addition to reporting revenues on GXG rates, the Postal Service should "separately report volumes, revenues, and the dollar value of discounts resulting from this promotion." PR Comments at 8.

The Commission will not impose any special reporting requirements with respect to the promotion. Should questions arise concerning review of 2013 GXG data in the FY 2013 ACR proceeding, the Postal Service should be prepared to address the effects of the promotion.

*Mail Classification Schedule (MCS) provisions.* Based on its finding that approval of the 2013 GXG Promotion is not inconsistent with 39 U.S.C. § 3633(a), the

Commission will make conforming modifications to the draft MCS. The Postal Service provided draft language in Attachment 1 of the Notice.

The Commission finds the Postal Service's draft MCS language for the 2013 GXG Promotion to be incomplete. The Commission therefore revises the Postal Service's proposed draft MCS language to include all relevant information on the terms and conditions of the promotion. The draft MCS language governing the 2013 GXG Promotion appears in the Attachment to this Order.

*It is ordered:*

1. The proposed 2013 GXG Promotion is not inconsistent with 39 U.S.C. § 3633(a).
2. The draft MCS language governing the 2013 GXG Promotion appears in Attachment 1 of this Order.

Shoshana M. Grove  
Secretary

## Draft Mail Classification Schedule

The Commission approves the addition of the following underlined text to the draft Mail Classification Schedule.

### **2305 Outbound International Expedited Services**

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#### **2305.6 Prices**

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#### 2013 GXG Promotion (April 29, 2013 to June 1, 2013)

The 2013 GXG Promotion offers a discount from applicable Commercial Base or Commercial Plus prices for Global Express Guaranteed items to existing customers using Global Shipping Software (GSS). Eligible customers will be notified about the promotion, participation, and applicable terms and conditions by email. The following terms apply:

- a. The promotion is only applicable to Postal Service customers with a GSS account during the promotion period. No registration is required.
- b. The promotion is not valid with any other Postal Service promotion, and excludes GSS customers that have a Global Expedited Package Services Contract, a Global Plus Contract, a Global Reseller Expedited Package Contract, or a Global Expedited Package Services—Non-Published Rates Contract.

- c. All other standards in IMM section 210 apply.
- d. The discount does not apply to optional insurance coverage in excess of \$100.00.
- e. The promotional discount is limited to the equivalent of \$10,000.00 in total discounts for Commercial Base and Commercial Plus postage for Global Express Guaranteed items per GSS account holder during the promotion period.
- f. Customers have the option to opt out of the promotion by contacting GSS customer support directly.
- g. The Postal Service reserves the right, without prior notice, to end the promotion before June 1, 2013 and to make changes to the promotion, except for changes that affect the percentage discount offered under the promotion.